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Chandigarh - An Emerging City Market in Northern India

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Approved By:

Oliver Flake

Prepared By:

Deepa Dhankhar

Report Highlights:

Chandigarh is situated 160 miles north of Delhi and enjoys the unique status of a common capital of the two prosperous states of Haryana and Punjab. Chandigarh has the highest per capita income level in India and its gross state domestic product (GSDP) in 2007/08 reached USD 2.4 billion (INR 97,053.9 million), an increase of nearly 13 percent from the previous year. The current sales of imported foods in the organized retail and HRI sectors have been impressive in some of the local retail stores. The encouraging pace of economic and geographical expansion in Chandigarh is expected to pave the way for a greater demand for imported foods and ingredients.

General Information:

Introduction:

Chandigarh was established on November 1, 1966 as a common capital of the northern states of Punjab and Haryana. However, the local administration is controlled by the federal

government [1] and is categorized as a union territory (UT). It is located 150 miles to the north of India's capital city, New Delhi. The Union Territory has a unique architecture, designed by the famous French architect, Le Corbusier and is situated at the base of shivalic hills enjoying close proximity to the low hills of Himachal Pradesh. Chandigarh also known as "The City Beautiful" due to its master plan including symmetrically designed sectors and markets, wide roads, abundant parks, and avenues and streets lined with trees and shrubs. The Union Territory is surrounded by the two satellite cities of Mohali (Punjab) and Panchkula (Haryana), which are also planned cities like Chandigarh.

The Union Territory covers 114 square kilometers and has a population of 900,635. During Indian Financial Year (IFY) 2007/08, the gross state domestic product (GSDP; at constant prices) of the Union Territory reached USD 2.4 billion (INR 97,053.9 million), an increase of 13 percent compared to IFY 2006/07. Chandigarh has the highest per capita income level in the country at USD 2,750 (INR 110,676) in IFY 2007/08. Chandigarh is well-connected by a developed network of roadways and railways. Currently, the Chandigarh's airport is also being renovated and expanded to accommodate increasing air-traffic.

About 60 percent of the population is employed in the public sector or in government run organizations. Chandigarh offers world class education but is not considered to be a major employment generating city because of the lack of multinational corporations. However, with the establishment of the Rajiv Gandhi Chandigarh Technology Park in 2005, leading Information Technology (IT) companies like Infosys, Wipro, Bharti Airtel, Tech Mahindra and many others are in the process of developing offices in Chandigarh. A number of business process outsourcing firms and leading retail chains have established their business operations in Chandigarh. The Union Territory's proximity to a growing industrial hub 'Baddi' is leading to the generation of increased demand for the real-estate sector as more retail and industrial space will be required to meet the ever-increasing demands of the growing customer base. Consequently, prospects for increased growth in the food industries and other related sectors are also bright.

Chandigarh is not an agriculturally oriented city as only 18.36% (the net cropped area is 1,290 hectares) of its total area is under cultivation of various agricultural crops (rice, maize, wheat, vegetables, and fruits). Additionally, the share of the agriculture, forestry and fisheries sectors in the total GSDP is only 0.5 percent. There are around 10 cold storage facilities available in the Union Territory for agricultural crops.

Current sales of imported foods in the organized retail and HRI sectors are limited but have been growing impressively in some of the local retail stores. However, Chandigarh is still considered one of the fastest growing market for imported food products and alcoholic beverages. Chandigarh has both local retailers (with operations restricted to the Union

Territory and nearby satellite cities) and organized retailers, which report that there is a growing demand for imported food and customers recognize different foreign brands while making purchases. Local retailers also believe that imported food customers have a preference for popular international brands and associate them with exceptional quality. A number of leading hotel chains and multinational companies have either established or are in the process of establishing their base in the Union Territory. Chandigarh residents are also believed to have one of the highest levels of per capita expenditure. Therefore, the Chandigarh market offers promising potential for increased sales of imported foods and alcoholic beverages.

A. Chandigarh at a glance

City Area (2001 Census)	114.59 Sq. Kms. (Industrial-5.75 Sq. Kms., Institutional-5.56 Sq. Kms)
Urban Area	79.34 Sq. Kms.
Population (2001 Census)	900,635
Estimated Population (as of March 2007)	1,161,000
Urban Population	808,515
GSDP at constant prices (1999-2000) in IFY 2007/08	USD 2.4 billion
GSDP Growth Rate	12.94 percent
Per Capita Income (at current prices) in IFY 2007/08	USD 2,750
Literacy Rate (%)	81.9 (All-India Rank - 5 th)
Major Industries	Basic chemicals, metals & alloys, machinery and equipment, construction, wholesale and retail trade, restaurants and hotels, business services, real estate etc.
Academic and Intellectual Resources	Punjab Agricultural University, Government Medical College and Hospital, Punjab Engineering College and numerous other educational institutions.
Total number of hotels and restaurants (2007)	2,066
Star-rated Hotels	2 five-star, 4 four-star, 5 three-star and many two-star and budget hotels.
Major Food Retailers	Spencer's, Reliance Retail Ltd., Aditya Birla Retail Ltd. etc.
Key Agricultural Products	Paddy, Wheat, Maize, vegetables and fruits
Export (from Industries) in IFY 2006/07	USD 30.37 million
Growth in Exports (%)	137.81

Source: Directorate of Economics and Statistics, Chandigarh Administration

Consumer Profile

Chandigarh has a large Punjabi population and Punjabi's are known for their lavish spending lifestyle. The majority of Punjabi families are widely travelled or have relatives abroad. Therefore, they are familiar with international food brands. About 60 percent of the Chandigarh's population is employed in the public sector or in government run organizations.

Sector Analysis: HRI (Hotel, Restaurant and Institutions)

Chandigarh has only a few five star and four star hotels but there are around 36 hotels, 10 guest houses, and 16 budget accommodations in the city. The wholesale and retail trade and restaurant and hotel trade reached an investment of USD 1.6 million in IFY 2005/06. The Taj hotel and Hotel Mountview are the only two five star hotels in the city. However, industry sources report that many leading hotel chains are planning to launch five star hotels (Radisson, Marriot, Intercontinental and Oberoi) in and around Chandigarh in the next two-three years.

Current sales of imported foods in the HRI sector are limited as the city has few high-end hotels in this category. However, chefs in these hotels believe that demand for imported foods and alcoholic beverages will grow due to the fast economic expansion of the city. Around 10-15 percent of total food and alcoholic beverage procurement in these high-end hotels is comprised of imported foods and this share is expected to increase in the future.

The Union Territory has several leading fast food restaurants (Mc Donald's, Pizza Hut, Dominos, KFC etc.), hotels and restaurant chains (Copper Chimney, Gopal Ji, Sindhi Sweets, Sai Sweets, Hot Millions, Sagar Ratna, Shangrilla Plus, Yellow Chilli, Ambassador, chop stick, Ruby Tuesday etc.). The majority of multinational food chains receive a variety of imported ingredients (cheese, mayonnaise, exotic vegetables and fruits, condiments and spices, sausages, and international alcoholic beverages etc.) for their food preparations. The eating out culture is becoming increasingly popular with many residents, especially with younger residents.

B. Chandigarh Hotels and High-end Restaurants

Hotel	Remarks
<ul style="list-style-type: none"> The Taj (5 Star) 	The Taj has the black lotus, cafe 17, and dera restaurants, along with a lava bar which serves a variety of international and local gourmet cuisines.
<ul style="list-style-type: none"> The Mount View (5 Star) 	Includes a round-the-clock coffee shop, Chinese restaurant, and a multi-cuisine restaurant serving Indian, continental, Chinese, and Italian cuisines. The hotel also has a specialty bar 'Oak bar' which has a wide selection of alcoholic beverages from India, Australia, Argentina, Chile, California, Italy,

	Portugal, South Africa, and Spain.
3. The Shivalik View (4 Star)	Specializes in Chinese, Mughalai and multi-cuisine restaurants, and bars.
4. Regency (4 Star)	Hotel regency has a restaurant offering Indian, Chinese, Continental, and South Indian delicacies.
5. Piccadily (4 Star)	Indian, Chinese, Continental, Thai, and Goan cuisines are served along with a large variety of liquors and cocktails.
6. Sunbeam (4 Star)	Multi-Cuisine restaurant specializing in Chinese, Continental, Mughlai, and Punjabi foods.
8. Aroma (3 Star)	Multi-cuisine restaurant
9. President (3 Star)	Multi-cuisine restaurant
10. Park Inn (3 Star)	Multi-cuisine restaurant
11. Maya Palace (3 Star)	Multi-cuisine restaurant
11. The Park View (3 Star)	Multi-cuisine restaurant

Source: Industry Sources

Sector Analysis: Retail

India's leading retail chains have shown interest in the Union Territory because of its strategic location. Prominent retailers with a pan India presence like Reliance, Spencer's, and Aditya Birla have started their operations in Chandigarh within the past two years. The Union Territory has its own category of leading local retailers with operations restricted to Chandigarh city.

Chandigarh is constructed in such a manner that every sector has its own full-fledged commercial market. The markets in sector 22 and sector 17 are very popular in terms of the largest number of branded organized retail stores, central location, ingenuity etc. Rising real estate prices and restrictive real-estate policy of the Union Territory administration are causes of growing concern for organized retailers in the city. Therefore, the majority of organized retail stores are convenience stores with a floor size ranging between 900 and 4500 sq ft. Nonetheless, new retail space is being developed by the Parsvnath group, Ansal Group and Emaar MGF in and around the city.

Organized players are enhancing their present business strategy for expanding the customer base. Only a few organized stores have an exclusive imported food section with limited product lines. The imported foods sections in most of the leading local retail stores are diverse in product assortment (in terms of brands and origins). In just the last few years most of these stores have added an imported food section.

Most of the organized retail chains have a centralized procurement system. However, local retailers are mainly dependent upon importers or distributors based in Delhi to source

imported foods. Some retail stores also have a direct sourcing arrangement with imported foods distributors in Chandigarh. Local retailers face various procurement challenges and are sometimes not able to replace inventories of specific categories of imported foods due to the inability of local distributors to maintain consistent supplies.

C. Major Retailers in Chandigarh, Mohali and Panchkula

Retail Chain / Outlet	Number
Reliance Retail Limited	8
Spencer's Retail Limited	6
Aditya Birla Retail Limited	3
Pantaloon Retail (India) Limited	1
Kewal Stores	2
Punjab Stores	1
Bhatia's International Supermarket	1
Empire Stores	1

Source: Post Survey

Prospects for the Future

The Union Territory may soon be listed as a leading tier-one city given its impressive economic status, strategic location, and growing developmental activities. A number of leading hotel chains and multinational companies have either established or are in the process of establishing their base in Chandigarh. Chandigarh residents have the highest per capita disposable income in India and are also believed to have one of the highest levels of per capita expenditure and per capita number of cars. High income residents are also known for their lavish spending life-styles in Chandigarh. The food-habits of residents, especially of the younger generation (high school, college and university students, and multi-national company professionals) are increasingly diversifying towards ready-to-eat and processed foods. These changing food habits can be seen in the success of the leading fast food restaurants (McDonald's, Pizza Hut, Dominos, KFC etc.), hotels and restaurant chains (Copper Chimney, Gopal Ji, Sindhi Sweets, Sai Sweets, Hot Millions, Sagar Ratna, Shangrilla Plus, Yellow Chilli, Ambassador, chop stick, Ruby Tuesday etc.) in the city. Furthermore, a significant section of the population has traveled abroad and has experienced international cuisines.

Chandigarh: Best Product Prospects

Product	Market	Notes
Fresh Fruits (apples, grapes, kiwi, oranges etc.)	HRI & Retail	Washington apples, fuji apples, california grapes, kiwis from Italy or New Zealand are quite popular. Retail sales of apples are particularly strong when the domestic crop is

		not available. Imported fruits are favored during marriage ceremonies.
Alcoholic beverages	HRI & Retail	Many of Chandigarh's residents have a preference for imported alcoholic beverages. Red wines are mostly preferred followed by white and sparkling wines. The Union Territory has a few exclusive wine stores which specialize in a large assortment of imported wines from various origins (France, Germany, Italy, Australia, USA, Argentina, Chile, etc.). French, Australian, and Italian wines are particularly popular with customers at various high-end hotels.
Dairy Products	HRI & Retail	Local retailers and hotels report that there is demand for dairy products like mayonnaise, specialty cheeses, dairy spreads, baby foods etc. Dairy products from various EU countries are popular in the retail markets but competition from local market products is very strong.
Fruit beverages	Retail	Cranberry juice, plum juice and various other categories of juices are displayed on the shelves of various local retailers. This category is expected to show impressive growth because of the growing health consciousness among residents.
Processed foods (jams, jelly, honey, chocolates, wafers, bread spreads, mayonnaise, yeast extract, peanut butter, prunes, vinegar, syrups, sauces and condiments, canned vegetables, breakfast cereals, biscuits, pasta, olive oil etc.)	Retail	The processed food category has many assorted products in retail shops spread across the city. Local retailers consider processed products like chocolates, flavored syrups, confectionary, mayonnaise, peanut butter, breakfast cereals, and fruit juices as the fast selling product lines.
Dried fruits & nuts	Retail	Dried fruits and nuts such as almonds, pistachios, walnuts, prunes etc. are strong selling products. Dry fruits sales increase during the festival season.
Meat products (frozen, canned, processed) and fish products	Retail	Demand for various categories of meat and fish products is not very strong. However, product lines like branded chopped ham and pork, bacon, chicken wings, processed tuna, chicken sausages, fish sausages are sought

		by the high-end customers.
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Source: Post Survey

Post conducted a series of interviews with managers of organized retail stores, local retailers, chefs of leading hotels, fresh fruit importers, and officials of the Chandigarh administration and found that the penetration and demand for imported foods in this market is currently limited but has a promising growth potential. Various local retail stores have exclusive sections for imported food categories. The commercial market in sector nine has several local retail stores specializing in a wide variety of imported food products and alcoholic beverages. Retailers believe that there is a growing demand for imported food in this area and customers recognize different foreign brands while making purchases. Local retailers also believe that imported food customers have a preference for popular international brands and associate them with exceptional quality. Therefore, the Chandigarh market offers promising potential for increased sales of imported foods and alcoholic beverages. Additionally, American food festivals and city focused product promotions will help in creating awareness and demand for American foods.

^[1] Housing state legislature, ministries, and government offices of both the states